

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 664 - HB 1317

March 3, 2019

SUMMARY OF BILL: Authorizes any existing licensed and operating nursing home to relocate 62 or fewer of its licensed beds to a new, separately licensed nursing home, if certain conditions are met.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Federal Expenditures – Not Significant

Other Fiscal Impact – The Division of TennCare could experience an increase in expenditures. The exact amount and timing of any increase is unknown; however, the annualized increase in expenditures resulting from the increase in Medicaid beds is estimated to be \$1,039,200 in state funds and \$1,962,000 in federal funds.

Assumptions:

- The proposed legislation adds a new section that authorizes a 40-year old nursing home with 200 to 225 beds located on a five acre or less campus to apply for a certificate of need (CON) from the Health Services and Development Agency (HSDA) to relocate 62 or fewer beds to a newly-licensed facility.
- According to the Department of Health (DOH) and HSDA, there is one nursing home that will meet the criteria of the legislation to relocate beds.
- A certificate of need would have to be obtained prior to the relocation of any licensed beds. Application fees from the certificate of need process will be collected to cover the cost of the review; therefore, the net impact to HSDA is not significant.
- The DOH can review the application in conjunction with the HSDA, and if approved, can also license, certify and inspect the nursing home utilizing existing resources without an increased appropriation or reduced reversion.
- The daily average cost of Level 1 Nursing Facility reimbursement is \$210.83, for an annual cost of \$76,953 (\$210.83 x 365 days).
- The statewide Medicaid utilization rate for nursing home beds is 62.7 percent.
- Assuming the nursing home relocates the 62 beds into a newly-licensed facility, it is assumed 39 (62 beds x 62.7%) of those beds would be Medicaid beds.

- The increase in expenditures is estimated to be \$3,001,167 (39 beds x \$76,953)
- Medicaid expenditures receive matching funds at a rate of 65.375 percent federal funds to 34.625 percent state funds. Of this amount \$1,039,154 ($\$3,001,167 \times 34.625\%$) will be in state funds and \$1,962,013 ($\$3,001,167 \times 65.375\%$) will be in federal funds.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jem